



CENTRE FOR CIVIL SOCIETY AND GOVERNANCE

THE UNIVERSITY OF HONG KONG

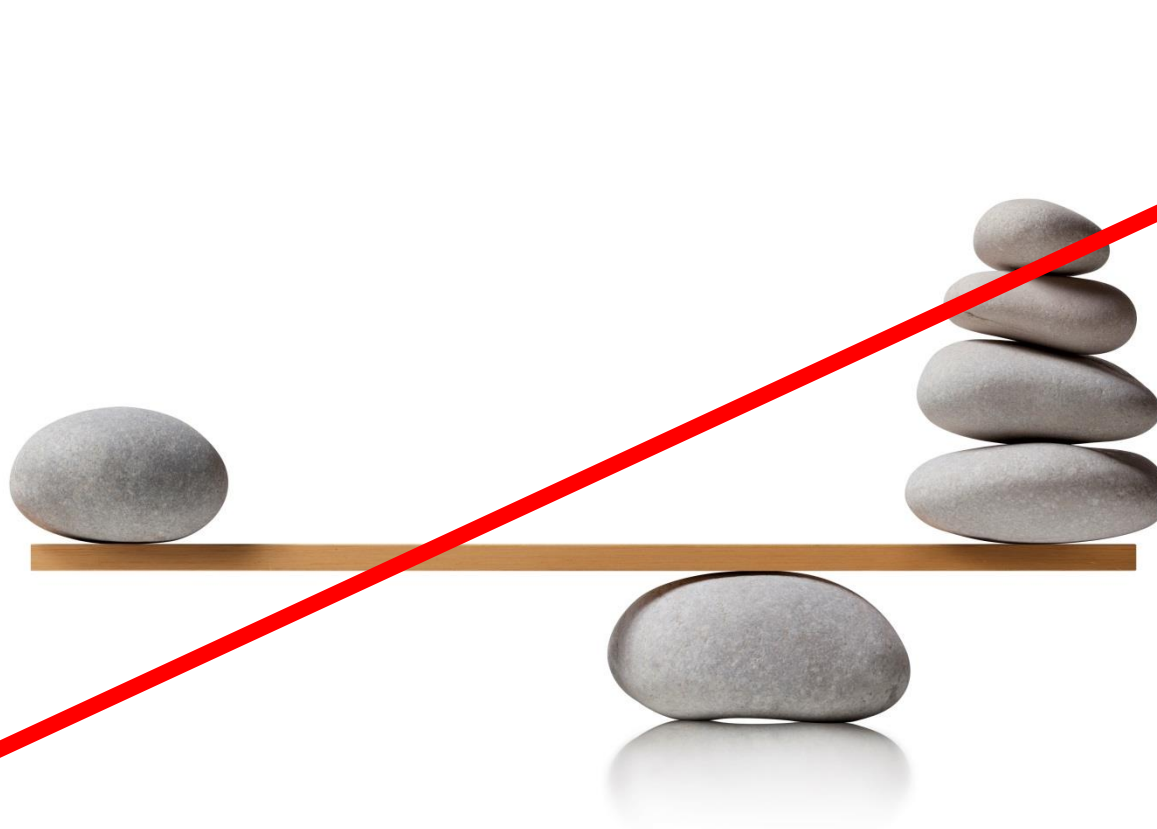
ESG Reality Check!

Asian Corporate Governance Association
20th Annual Conference

17th November 2021

Dr. Margaret Burnett, Programme Director,
Sustainability Leadership and Governance

Economy



Education
Workplace conditions
Communities
Environment

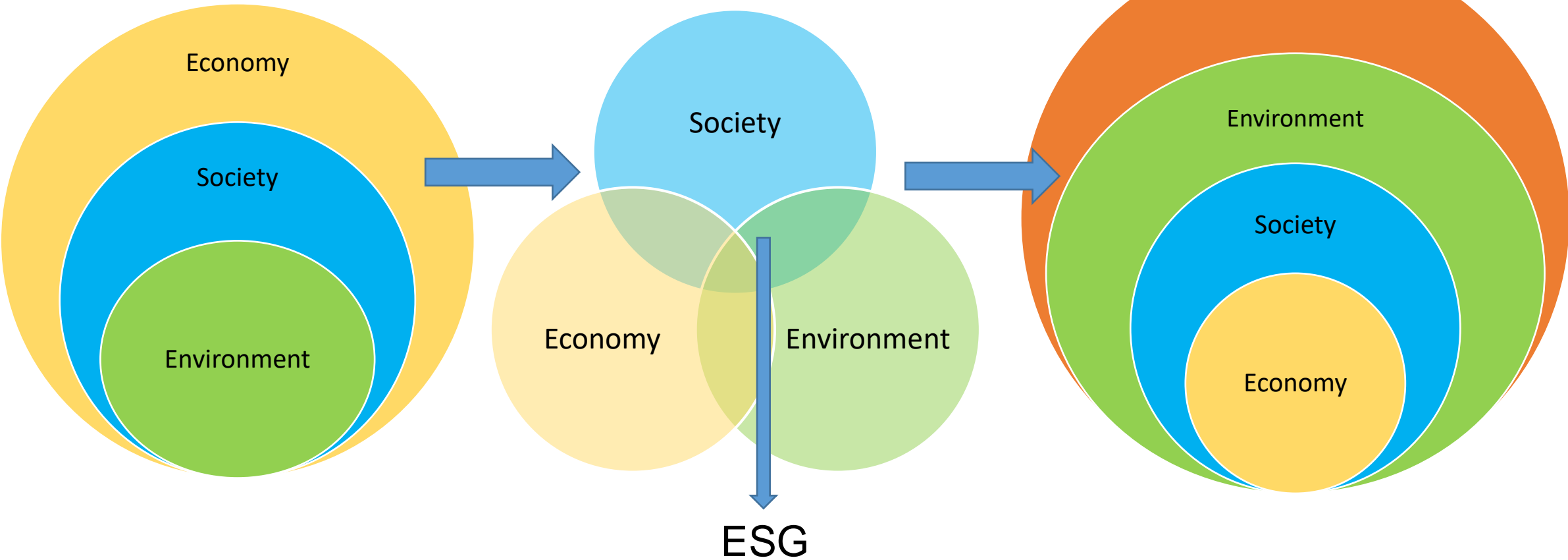


Current thinking:
Economy comes first

Translating into
language of business:
Still results in trade-offs

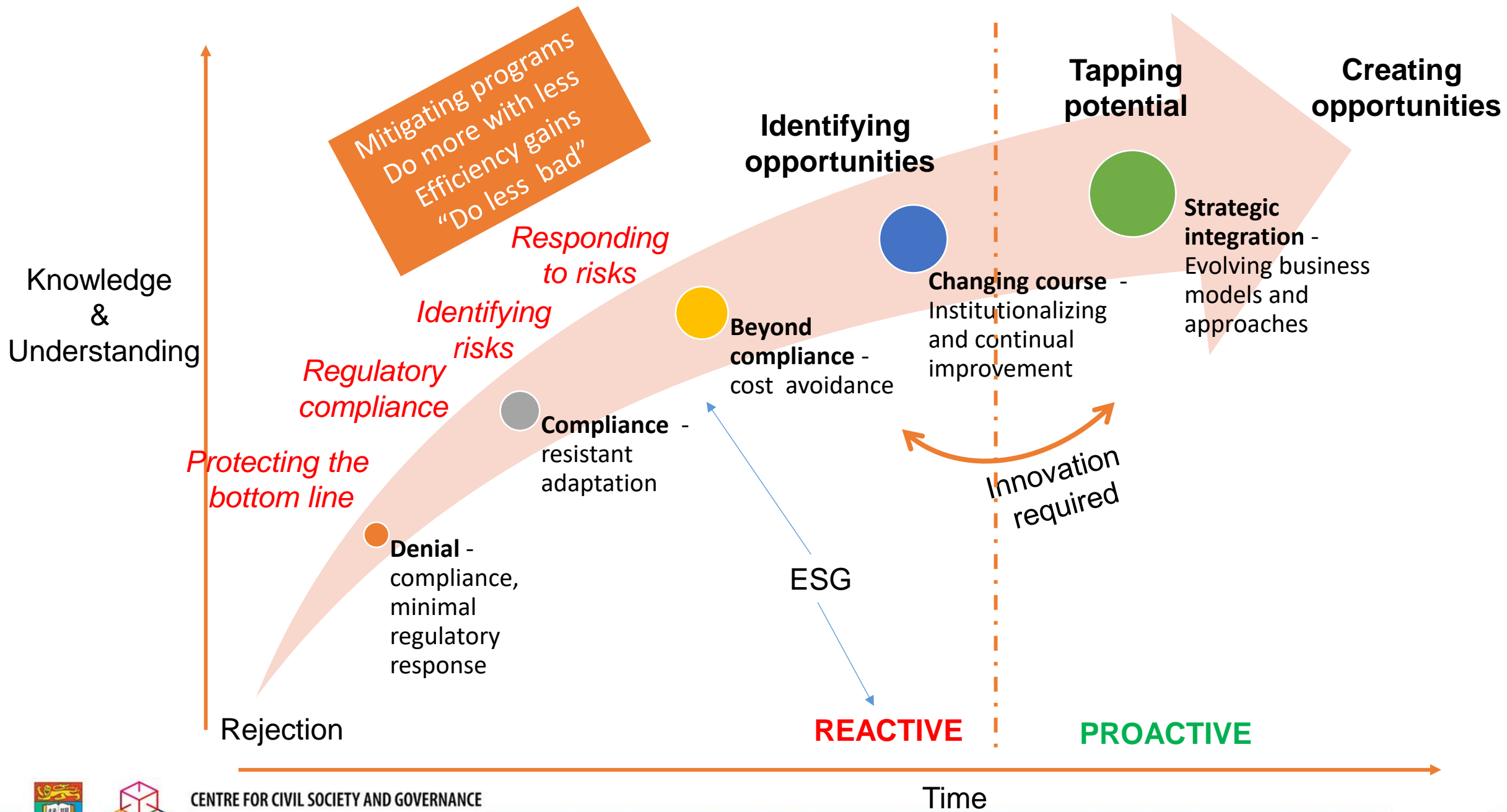
Reality:
Operate within finite boundaries

Governance - organizational accountability



Governance





Frameworks must evolve and, so must organizations

ESG

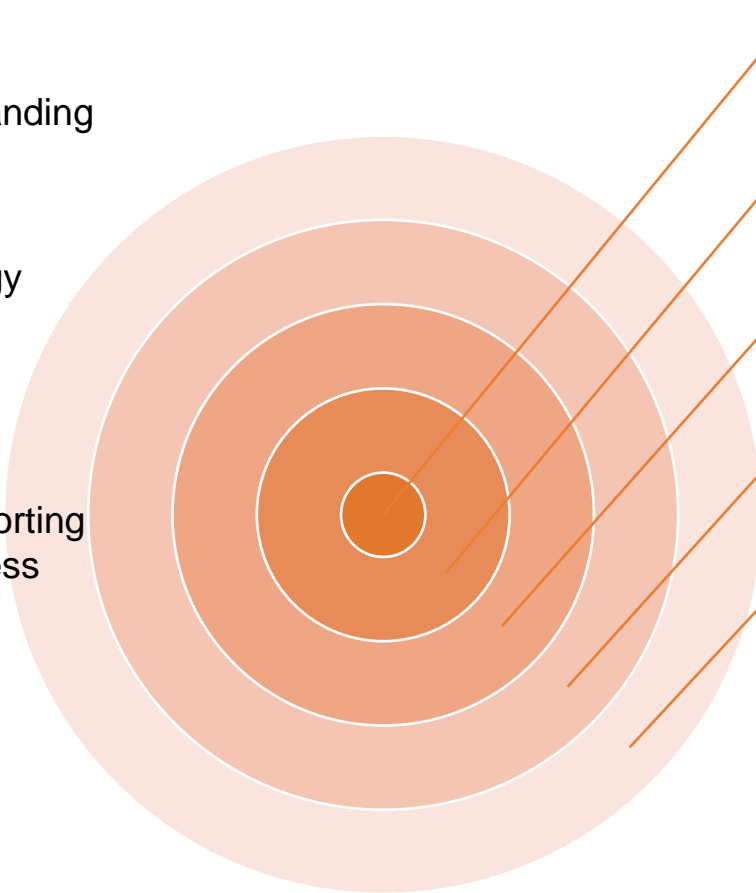
- Risk Management
- Efficiency gains
- Listing requirements
- Investor demands
- Mitigation
- Improving reputation
- *Doing less bad*

Recognition of the value of diverse stakeholder engagement

Effective use of materiality for broader / deeper understanding of sustainability context

ESG must be linked to strategy and related to compensation arrangements and design of performance measures

Meaningful disclosures in reporting to show accounting for business externalities and contribution to positive outcomes



Operational Context

Ownership and accountability

Spheres of influence

Recognition of Operational, technical, fiscal, legal and reputational opportunities of a sustainability strategy

Partnerships, collaboration, innovation



ESG next steps

- More active engagement on fossil fuel / climate change
- This will draw attention to water and biodiversity
- Divestment to avoid stranded assets & drive support for transition
- More pressure to disclose threats to the business from climate change
- Shareholder proposals, market forces will push for increased board diversity (versus gov reg which trails)
- Very important to disclose diversity and inclusion policies, gender and racial pay gaps
- Small but growing trend in interest to allocate funds for impact investing (more is needed)
- The rise and emphasis on the “S” of ESG (emphasized need for and reassurance for safe and flexible workplaces) and related Board credentials
- ESG activism on e.g., ↑ supply chain transparency
- Gig economy and a wider focus on worker rights will remain important
- Growing focus on flexible work arrangements
- Meaningful use of transition finance, with oversight to avoid greenwash
- Heightened consumer awareness of the provenance of their purchases
- Scrutiny of remuneration policies
 - Scrutiny of compensation and responsible practices
 - Pay gaps and performance reviews
 - ESG metrics in performance related pay
- Possible more widespread incorporation of relevant ESG metrics is becoming evident.

LOOK BEYOND THE METRICS



Measuring performance by the numbers of injuries you have is like measuring parenting by the number of smacks you give. – Dr. Robert Long

Thank you